

Ms. Pamela Smith, Administrator  
Mariner Health Care of Seneca  
140 Tokeena Road  
Seneca, South Carolina 29679

Re: AC# 3-MAS-J4- Mariner Health Care of Seneca

Dear Ms. Smith:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1993 through September 30, 1994. That report was used to set the rate covering the contract periods beginning October 1, 1995.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Mac Carroll

**MARINER HEALTH CARE OF SENECA**

**SENECA, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING OCTOBER 1, 1995  
AC# 3-MAS-J4**

**REPORT ON CONTRACT**

**FOR**

**PURCHASE OF NURSING CARE SERVICES**

**WITH**

**STATE OF SOUTH CAROLINA**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 23, 1997

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Mariner Health Care of Seneca, for the contract periods beginning October 1, 1995 and for the twelve month cost report period ended September 30, 1994, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Mariner Health Care of Seneca, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Mariner Health Care of Seneca dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
October 23, 1997

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA  
State Auditor

**MARINER HEALTH CARE OF SENECA**

Computation of Rate Change  
For the Contract Periods  
Beginning October 1, 1995  
AC# 3-MAS-J4

	<u>10/01/95- 03/31/96</u>	<u>04/01/96- 09/30/96</u>
Interim reimbursement rate (1)	\$78.08	\$78.08
Adjusted reimbursement rate	<u>76.92</u>	<u>76.92</u>
Decrease in reimbursement rate	\$ <u>1.16</u>	\$ <u>1.16</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 15, 1997

**MARINER HEALTH CARE OF SENECA**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period October 1, 1995 Through March 31, 1996  
AC# 3-MAS-J4

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$2.88	\$31.07	\$41.13	\$31.07
Dietary	<u>-</u>	<u>9.71</u>	<u>8.53</u>	<u>8.53</u>
Subtotal	<u>\$2.88</u>	40.78	49.66	39.60
Laundry/Housekeeping/Maint.	\$ .35	6.82	7.17	6.82
Administration & Med. Rec.	<u>-</u>	<u>10.81</u>	<u>7.86</u>	<u>7.86</u>
Subtotal	<u>\$ .35</u>	58.41	<u>\$64.69</u>	54.28
<u>Costs Not Subject to Standards:</u>				
Utilities		3.27		3.27
Special Services		.82		.82
Medical Supplies & Oxy.		3.84		3.84
Taxes and Insurance		1.54		1.54
Legal Fees		<u>.11</u>		<u>.11</u>
<b>TOTAL</b>		<u>\$67.99</u>		63.86
Inflation Factor (6.30%)				4.02
Cost of Capital				7.54
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				.35
Cost Incentive - For Gen. Serv. & Dietary				2.88
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				<u>(1.73)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$76.92</u>

**MARINER HEALTH CARE OF SENECA**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period April 1, 1996 Through September 30, 1996  
AC# 3-MAS-J4

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$3.08	\$31.07	\$44.00	\$31.07
Dietary	<u>-</u>	<u>9.71</u>	<u>8.53</u>	<u>8.53</u>
Subtotal	<u>\$3.08</u>	40.78	52.53	39.60
Laundry/Housekeeping/Maint.	\$ .35	6.82	7.17	6.82
Administration & Med. Rec.	<u>-</u>	<u>10.81</u>	<u>7.86</u>	<u>7.86</u>
Subtotal	<u>\$ .35</u>	58.41	<u>\$67.56</u>	54.28
<u>Costs Not Subject to Standards:</u>				
Utilities		3.27		3.27
Special Services		.82		.82
Medical Supplies & Oxy.		3.84		3.84
Taxes and Insurance		1.54		1.54
Legal Fees		<u>.11</u>		<u>.11</u>
<b>TOTAL</b>		<u>\$67.99</u>		63.86
Inflation Factor (6.30%)				4.02
Cost of Capital				7.54
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				.35
Cost Incentive - For Gen. Serv. & Dietary				3.08
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				<u>(1.93)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$76.92</u>



**MARINER HEALTH CARE OF SENECA**  
Summary of Costs and Total Patient Days  
Cost Report Period Ended September 30, 1994  
AC# 3-MAS-J4

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$1,516,799	\$ -	\$ 11,525(3) 1,950(3) 50,578(4) 918(4)	\$1,451,828
Dietary	466,032	-	943(3) 11,463(4)	453,626
Laundry	75,787	-	385(3) 1,490(4)	73,912
Housekeeping	147,458	-	916(3) 2,496(4)	144,046
Maintenance	102,767	-	416(3) 1,666(4)	100,685
Administration & Medical Records	504,664	7,307(4)	3,120(2) 2,345(3) 1,311(4)	505,195
Utilities	152,863	-	-	152,863
Special Services	43,928	-	2,384(3) 3,072(4)	38,472
Medical Supplies & Oxygen	182,113	49(3)	2,929(4)	179,233
Taxes & Insurance	72,074	-	-	72,074
Legal Fees	4,964	-	-	4,964
Cost of Capital	320,505	21,980(1) 9,859(5)	-	352,344
Subtotal	3,589,954	39,195	99,907	3,529,242

**MARINER HEALTH CARE OF SENECA**  
Summary of Costs and Total Patient Days  
Cost Report Period Ended September 30, 1994  
AC# 3-MAS-J4

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	111,214	-	-	111,214
Non-Allowable	(108,997)	3,120(2) 20,815(3) <u>68,616(4)</u>	21,980(1) 9,859(5) <u></u>	(48,285) <u></u>
Total Operating Expenses	<u>\$3,592,171</u>	<u>\$131,746</u>	<u>\$131,746</u>	<u>\$3,592,171</u>
TOTAL PATIENT DAYS *	<u>46,735</u>	<u>-</u>	<u>-</u>	<u>46,735</u>
* Adjusted to 97% occupancy				
TOTAL BEDS	<u>132</u>			

**MARINER HEALTH CARE OF SENECA**  
Adjustment Report  
Cost Report Period Ended September 30, 1994  
AC# 3-MAS-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Other Equity	\$148,869	
	Depreciation	21,980	
	Fixed Assets		\$ 21,277
	Accumulated Depreciation		127,592
	Nonallowable		21,980
	To adjust fixed assets and related depreciation expense to allowable HIM-15-1, Section 100		
2	Nonallowable	3,120	
	Administration		3,120
	To remove rental expense on capitalized asset HIM-15-1, Section 110		
3	Nonallowable	20,815	
	Medical Supplies & Oxygen	49	
	Nursing		11,525
	Restorative		1,950
	Dietary		943
	Laundry		385
	Housekeeping		916
	Maintenance		416
	Administration		2,345
	Special Services		2,384
	To remove undocumented accrued vacation expense HIM-15-1, Section 2304		

**MARINER HEALTH CARE OF SENECA**  
Adjustment Report  
Cost Report Period Ended September 30, 1994  
AC# 3-MAS-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	Nonallowable	68,616	
	Administration	7,307	
	Nursing		50,578
	Restorative		918
	Dietary		11,463
	Laundry		1,490
	Housekeeping		2,496
	Maintenance		1,666
	Medical Records		1,311
	Medical Supplies		2,929
	Special Services		3,072
	To adjust fringe benefits to allowable HIM-15-1, Section 2144		
5	Cost of Capital	9,859	
	Nonallowable		9,859
	To adjust cost of capital to allowable State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$280,615</u>	<u>\$280,615</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**MARINER HEALTH CARE OF SENECA**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1994  
AC# 3-MAS-J4

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>1.9778</u>
Deemed Asset Value (Per Bed)	30,889
Number of Beds	<u>132</u>
Deemed Asset Value	4,077,348
Improvements Since 1981	615,963
Accumulated Depreciation at 9/30/94	<u>(1,242,169)</u>
Deemed Depreciated Value	3,451,142
Market Rate of Return	<u>.072</u>
Total Annual Return	248,482
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	248,482
Depreciation Expense	103,862
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	352,344
Total Patient Days (Minimum 97% Occupancy)	<u>46,735</u>
Cost of Capital Per Diem	<u>\$ 7.54</u>

**MARINER HEALTH CARE OF SENECA**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1994  
AC# 3-MAS-J4

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 7.04
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>11.03</u>
Reimbursable Cost of Capital Per Diem	\$ 7.54
Cost of Capital Per Diem	<u>7.54</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>